

# **Rules of Business Practice for the 2015-2020 USP Board of Trustees**

**August 3, 2015**

## **1. GENERAL**

### **1.01 Governance**

These Rules of Business Practice (“Rules”) are adopted in accordance with Article V, Section 1 of the Bylaws, and shall govern the activities of the 2015-2020 Board of Trustees (“Board”) and its committees. The eleventh edition of *Robert’s Rules of Order, Newly Revised* shall be followed in conducting Board business where these Rules are silent.

### **1.02 Quorum**

As provided in Article V, Section 11 of the Bylaws, a majority of voting members of the Board shall be required for a quorum.

### **1.03 Amendments**

These Rules may be amended from time to time by majority vote of the Board.

## **2. STANDARDS OF CONDUCT**

### **2.01 Code of Ethics and Policies**

The members of the Board shall be required to adhere to the USP Code of Ethics, which is available on USP’s website.

### **2.02 Conflicts of Interest**

(a) A Board member shall not use his or her membership in any way that is, or appears to be, motivated by private gain for himself, herself or any outside interest.

(b) As provided in Article VIII of the Bylaws, no member of the Board shall vote or take part in the final deliberation in any matter in which he or she has a Conflict of Interest. A Conflict of Interest shall mean a direct or indirect financial interest or any other personal interest of any kind which would preclude or appear to preclude such individual from exercising impartial judgment or otherwise acting in the best interests of USP. It shall be the responsibility of the Board member to advise the Chair should a situation arise in which he or she has a Conflict of Interest not evident from the statement of interests.

(c) Any member of the Board who believes he or she may have a Conflict of Interest shall notify the Chair prior to deliberation on the matter in question, and the remainder of the Board shall make the final determination as to whether the individual has a Conflict of Interest in such matter. The minutes of the applicable meeting shall reflect disclosure and resolution of any Conflict of Interest, including any recusal of a Board member due to Conflict of Interest.

(d) Each Board member annually shall submit to USP a statement of all employment, professional, research, financial and other interests that relate either directly or indirectly to matters within the scope of activities of USP. Such statement shall be updated as necessary to keep it current or as requested periodically by the Secretary or staff.

### **2.03 Confidentiality**

Each member of the Board shall maintain the confidentiality of all information gained in the course of his or her activities as a Board member, and shall not use or disclose such information for any purpose, unless such information is already publicly available. Each Board member shall sign a confidentiality agreement reflecting these obligations.

### **2.04 Compensation and Expenses**

(a) As provided in Article VIII, Section 3 of the Bylaws, no member of the Board shall receive compensation for his or her services. Members of the Board shall be reimbursed for travel and other expenses incurred while on official USP business in accordance with USP's Board Travel and Reimbursement Policy.

(b) No member of the Board shall receive any loans except for advances to pay for billed or anticipated travel expenses while on official USP business (e.g., registrations, advance ticket purchases, etc.).

## **3. CHAIR**

The Chair of the Board shall be elected by a majority vote of the Board in accordance with Article V, Section 4 of the Bylaws. The Board Operations Committee shall serve as the nominating committee for the election of the Chair and shall present candidates to the Board prior to the election. Any elected or appointed member of the Board except the Public Member, Convention President or Convention Treasurer is eligible to be elected and serve as Chair. The Chair shall hold office for one year or until his or her successor is elected. In the event of absence of the Chair, a member of the Executive Committee appointed by the Chair shall serve as chair. Except where specifically provided otherwise in these Rules, the Chair shall appoint the members and chairs of all Committees of the Board, and shall re-evaluate such appointments on a periodic basis as deemed appropriate.

## **4. MEETINGS**

### **4.01 Types of Meetings**

Meetings of the Board shall be scheduled in accordance with Article V, Sections 8 and 9 of the Bylaws. Meetings may take place in which members are present in a single location (face-to-face meetings) or, as provided in Article V, Section 13 of the Bylaws, in which all members may be present by teleconference, videoconference, Internet, or similar electronic means, provided that all members present are able to hear and speak to each other.

#### **4.02 Participation by Telephone or Electronic Means**

A member may participate via teleconference, videoconference, Internet or similar electronic means and be deemed to be present at a face-to-face Board meeting only if approved by majority vote of the Board. A member may not participate by such means in more than one face-to-face Board meeting per year, unless otherwise approved by majority vote of the Board. Anyone participating in a meeting by telephone, videoconference, Internet, or similar electronic means shall announce his or her entrance and departure from the meeting.

#### **4.03 Attendance Policy**

Participation in scheduled Board and committee meetings, whether held in person- or via electronic means, is an integral part of Board service and essential to the effective operation of the Board. Members should use their best efforts to make themselves available for meetings, and any anticipated absence should be reported to USP as far in advance as possible prior to the meeting. The Chair of the Board of Trustees and USP staff shall work with members to encourage and facilitate attendance at meetings. If an attendance problem exists regarding a member, the Chair will promptly contact the member to discuss the problem. The member's response will be shared by the Chair with the entire Board at the next Board meeting. In that meeting, the Board will decide what actions to take regarding the Board member's future membership on the Board, taking into account the reasons for the attendance problem. If the Board decides that membership should be terminated, the Chair shall notify the member of the Board's decision and request a letter of resignation from the member. In the event the member refuses to resign, the Board may proceed to initiate removal the member in accordance with Article V, Section 6 of the Bylaws. An attendance problem may be deemed to exist if any of the following occur:

- a) A member has two consecutive absences from Board or committee meetings for which there was no prior notification to USP of such absence.
- b) A member has three consecutive absences from Board or committee meetings, whether or not prior notification of such absence was provided to USP.
- c) The percentage of Board and committee meetings attended during the previous twelve-month period falls below 66%.

#### **4.04 Conducting Business by Correspondence**

Between meetings, the Board may conduct business by correspondence, including electronic means, as provided in Article V, Section 12 of the Bylaws.

### **5. COMMITTEES OF THE BOARD**

#### **5.01 Standing Committees**

There shall be four standing committees of the Board: an Executive Committee, an Audit Committee, a Board Operations Committee, and a Finance Committee.

### **5.02 Special Committees**

Special Committees of the Board may be appointed by the Chair to address particular issues, and shall be dissolved upon completion of their charge.

### **5.03 Secretary; Staff Support**

The Secretary to the Board shall serve as the Secretary to all standing and special committees. The EVP-CEO shall assign appropriate staff to support the work of each Board committee.

## **6. EXECUTIVE COMMITTEE**

### **6.01 Composition**

As provided in Article VI, Section 2 of the Bylaws, the Executive Committee shall consist of the Chair, the President, the Treasurer, and the public member Trustee. The EVP-CEO shall serve as an *ex-officio* nonvoting member.

### **6.02 Functions**

The Executive Committee shall:

- (a) Conduct the day-to-day affairs of the Convention between meetings of the Board, as provided in Article VI, Section 2 of the Bylaws. In accordance with the Bylaws, the Executive Committee shall have and exercise all the powers and perform all of the duties of the Board, subject to the limitations set forth in Article VI, Section 1 of the Bylaws and further provided that all actions taken by the Executive Committee shall require ratification by the Board at its next meeting in order for such actions to remain effective.
- (b) Evaluate the performance of the EVP-CEO, develop the criteria on which he or she will be evaluated, and communicate the evaluation to the Board along with any recommended changes in compensation, including salary incentives or other awards for performance, and/or other supplemental compensation.
- (c) Provide oversight for USP's organizational development activities, including organization design, succession planning, training and development, performance management and other programs and approaches designed to increase staff engagement and effectiveness and improve organizational performance.

### **6.03 Meetings; Ratification of Actions by Board**

The Executive Committee shall meet regularly throughout the year as it deems necessary and appropriate. Any actions taken at an Executive Committee meeting on behalf of the Board shall be included in its minutes, which shall be presented at the next Board meeting for ratification.

## **7. AUDIT COMMITTEE**

### **7.01 Composition**

The Audit Committee shall consist of not less than three members of the Board, appointed by the Chair, no more than one of whom shall be a member of the Finance Committee. The chair of the Audit Committee shall be appointed by the Chair from among the Audit Committee members; provided, however, that the appointed chair shall not be the Treasurer.

### **7.02 Functions**

The Audit Committee shall:

- (a) Oversee the annual independent audit of the organization, which shall include meeting with the audit firm to discuss the scope of the audit, reviewing the audit results to assess the adequacy and effectiveness of accounting and financial controls, discussing issues or concerns with the audit firm and management, and reporting such results to the Board in order to recommend acceptance of the final audit report.
- (b) Periodically review services to assess the need for rotation of the individuals or firm responsible for conducting the annual audit.
- (c) Approve, as needed, non-audit services to be performed by the audit firm. A non-audit service shall mean any service other than those related to the preparation, completeness, and accurate reporting of the financial statements. None of the following non-audit services may be approved for the audit firm: bookkeeping or other services related to the accounting records or financial statements of USP; financial information systems design and implementation; appraisal or valuation services, fairness opinions, or contribution-in-kind reports; actuarial services; internal audit outsourcing services; management functions or human resource functions; broker or dealer, investment adviser, or investment banking services; and legal and expert services unrelated to the audit. Any other non-audit services, including tax services, may be provided by USP's audit firm if approved by the Audit Committee.
- (d) Review legal and regulatory matters that may have a material adverse impact on the organization's financial statements or reputation and any reports received by regulators.
- (e) Review and make recommendations to the Board regarding disclosures in IRS filings for the organization.
- (f) Oversee the development, implementation and enforcement of USP's Code of Ethics and other policies and procedures as may be appropriate to ensure compliance with laws and regulations and the ethical conduct of the organization. Code of Ethics implementation and enforcement shall include:

1. Reviewing and recommending to the Board the adoption of and revisions to such Code of Ethics.
2. Monitoring compliance with the Code of Ethics, including receiving and reviewing regular reports from USP's Compliance Committee.
3. Establishing procedures for the receipt, retention and treatment of complaints received regarding accounting, internal controls or audit matters, and the confidential, anonymous submission by staff and volunteers of Concerns (as defined in USP's Whistleblower Policy).

### **7.03 Foreign Subsidiary Oversight**

The Audit Committee also shall provide oversight to the organization's foreign subsidiaries with respect to the functions described in this Section, in accordance with local laws and the governing documents of such subsidiaries.

### **7.04 Investigatory Authority**

In performing its functions, the Audit Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the organization and the authority to engage independent counsel and other advisors as it deems necessary to carry out its duties.

## **8. BOARD OPERATIONS COMMITTEE**

### **8.01 Composition**

The Board Operations Committee shall consist of not less than three members of the Board, appointed by the Chair. The chair of the Board Operations Committee shall be appointed by the Chair from among the Committee's members.

### **8.02 Functions**

The Board Operations Committee shall perform the following functions:

- (a) Develop with staff a program to orient new Board members to the organization and their roles and responsibilities.
- (b) Establish a process for nominating Board members as candidates for Board Chair and for electing the Chair on an annual basis.
- (c) Review from time to time the knowledge, skills and abilities required of Board members, consider the need for additional expertise in specific areas, and make recommendations to the Board regarding the appointment of additional Board members to meet such needs as permitted by the Bylaws.
- (d) Work with management to consider the implications of evolutions in USP's governance structure for Board operations.

(e) Periodically, on behalf of the Board, conduct a Board self-assessment, and report to the Board its findings along with any recommendations on how to improve and make more efficient and effective the Board's performance.

(f) Review recommendations of the Council of the Convention relating to the invitation of new members to the Convention, proposed resolutions for the Convention, and other matters and make recommendations regarding the same to the Board.

(g) Review the proposed Rules and Procedures of the Council of Experts, Convention Governance Committee and the Council of the Convention as forwarded by the Convention Governance Committee, and make recommendations to the Board regarding approval of the same.

(i) Consider and make recommendations to the Board regarding proposed changes to these Rules.

## **9. FINANCE COMMITTEE**

### **9.01 Composition**

The Finance Committee shall consist of not less than three members of the Board, appointed by the Chair, no more than one of which shall be a member of the Audit Committee. The Finance Committee shall be chaired by the Treasurer.

### **9.02 Functions**

The Finance Committee shall be responsible for oversight of the organization's financial performance, investment policy and performance of the investment portfolio and compensation and benefit plans; and shall work with staff and any outside financial advisor(s) to:

(a) Oversee approval and implementation of the budget, including review and recommendation of the proposed annual budget and any adjustments throughout the year to the Board.

(b) Oversee the financial affairs and condition of the organization, monitoring ongoing compliance with financial covenants associated with USP's bond financing.

(c) Oversee the investment policy and performance of USP's investment portfolio, including:

1. With the assistance of outside advisors as necessary, developing and recommending to the Board investment policies and asset allocation guidelines that will maintain a sufficient reserve and maximize the return on the reserve based on an acceptable level of investment risk and expected short/long term needs.
2. Monitoring the performance of the portfolio, and providing to the Board a quarterly review of portfolio performance.

3. Recommending to the Board the engagement or change in the engagement of an outside financial advisor.
  4. Conducting a full investment-policy review with the Board at least annually.
- (d) Oversee the organization's compensation and benefits systems, including:
1. Reviewing the structure of the staff compensation program, including salary levels, benefits, and the Success Sharing Plan.
  2. Reviewing and making recommendations to the Board regarding employee benefit plans and employee benefits, with the Board retaining responsibility for final approval of the insurer or insurers through whose policies the plan benefits are to be funded and the rules and procedures for administration of the plan
  3. Based on input from the EVP-CEO, reviewing and making recommendations to the Board regarding the proposed metrics for organizational performance under the Success Sharing Plan, and the achievement of such metrics.

## **10. EXECUTIVE VICE PRESIDENT AND CHIEF EXECUTIVE OFFICER (EVP-CEO)**

### **10.01 Responsibilities and Authority of EVP-CEO**

(a) The EVP-CEO shall be hired by the Board, as provided in Article IV, Section 2 of the Bylaws. The EVP-CEO shall have the responsibilities, duties and authority set forth in Article IV, Section 11 of the Bylaws. The Board may enter into a contractual agreement with the EVP-CEO providing for such additional responsibilities, duties and authority and other terms and conditions of employment as the parties may agree, providing they are consistent with the Bylaws.

(b) As provided in Article IV, Section 11 of the Bylaws, the EVP-CEO's designee shall serve as Secretary to the Board and the Convention. The Secretary shall act under the direction of the EVP-CEO.

### **10.02 Absence**

In the event of an unanticipated absence of the EVP-CEO, responsibility for his or her functions shall be assumed in accordance with the interim succession plan for the EVP-CEO approved by the Board. The interim successor shall retain such functions until the EVP-CEO re-assumes his or her responsibilities or until the selection of a new EVP-CEO, as determined by the Board.

## **11. MANAGEMENT OF ASSETS**

### **11.01 Oversight by Treasurer**

In addition to those responsibilities contained in the Bylaws, the Treasurer shall be responsible for:

- (a) Ensuring accurate and complete financial records are kept.
- (b) Monitoring the financial situation of the organization through analysis of the various budget and financial reports that are prepared by staff, and providing regular reports to the Board.
- (c) Overseeing the maintenance of adequate controls over the assets of the organization.

## **12. PROCEDURES FOR INDEMNIFICATION OF TRUSTEES, OFFICERS, COMMITTEE MEMBERS, PANELISTS, AND EMPLOYEES**

### **12.01 Definition**

For purposes of this indemnification policy, the terms “USP official” or “official” shall mean a current or former officer, member of the Board, Council of Experts or Expert Committee member, ad hoc Advisory Panel member, employee, or agent of USP.

### **12.02 Insurance**

USP may purchase and maintain insurance on behalf of any person who is a USP official or who served as a USP official against any liability asserted against and incurred by such person in any capacity or arising out of such person's position, whether or not USP would have the power to indemnify the individual against liability under the following provisions of this Section 12.

### **12.03 Scope of Indemnification**

(a) The organization may indemnify any USP official against reasonable expenses, judgments, fines, penalties and settlements incurred in connection with or arising out of any judicial, administrative, arbitration or other formal legal proceeding (Proceeding) by reason of the official's service on behalf of USP provided that:

1. The official acted in good faith;
2. The official believed that he or she acted in good faith; and
3. In the case of any criminal Proceeding, the official had no reasonable cause to believe that the act or omission was unlawful.

(b) The termination of any Proceeding by judgment, order, or settlement does not create a presumption that the official did not meet the requisite standard of conduct set forth in subsection (a) above. The termination of any Proceeding by conviction, a plea of nolo

contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the official did not meet that standard of conduct.

(c) An official may not be indemnified in respect of any Proceeding charging improper personal benefit to the official, whether or not involving action in his or her official capacity, if the official is adjudged to be liable on the basis that personal benefit was improperly received.

(d) An official may not be indemnified in respect of any Proceeding by or in the right of USP if the result of the Proceeding is that the official is adjudged to be liable to USP.

(e) An official who has been successful, on the merits or otherwise, in the defense of any Proceeding relating to the official's acts or omissions on behalf of USP shall be indemnified against reasonable expenses incurred by the official in connection with the Proceeding.

#### **12.04 Determination of Standard of Conduct**

(a) Indemnification may not be made by the organization unless a determination has been made that the official has met the requisite standard of conduct set forth in Section 12.03(a).

(b) Such determination shall be made either:

1. By the Board, by a majority vote, or by a majority vote of a committee of the Board consisting of two or more members designated to act in such matter by a majority vote of the Board; or
2. By special legal counsel selected by the Board or by a committee of the Board designated to make such selection under the same process set forth in subsection 1.

(c) Authorization of indemnification and determination as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible, as described in subsection (b) above.

#### **12.05 Reimbursement of Expenses**

(a) Reasonable expenses incurred by an individual who is a party to a Proceeding or threatened Proceeding may be paid or reimbursed by USP in advance of the final disposition of the Proceeding, after a determination that the facts then known to those making the determination would not preclude indemnification under this section, upon receipt by USP of:

1. A written affirmation by the official of the individual's good faith belief that the standard of conduct necessary for indemnification by USP as indicated in subsection 12.03(a) has been met; and

2. A written undertaking by or on behalf of the official to repay the amount if it shall ultimately be determined that the standard of conduct has not been met; provided, however, that such undertaking shall be an unlimited general obligation of the official but need not be secured and may be accepted without reference to financial ability to make the repayment.

(b) Determinations and authorizations of payments under this paragraph shall be in the manner specified in section 12.04.

(c) This policy does not limit USP's power to pay or reimburse expenses incurred by an official in connection with an appearance as a witness in a Proceeding at a time when the official has not been made a named defendant or respondent in the Proceeding.

#### **12.06 Actions with Respect to Employee Plan**

Actions taken or omitted by a USP official as a trustee with respect to an employee benefit or welfare plan, in the performance of the official's duties, for a purpose reasonably believed by the official to be in the interest of the participants and beneficiaries of the plan, shall be deemed to be for a purpose which is not opposed to the best interests of the organization.